

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 5626

C O N F I D E N T I A L TEHRAN 1726

E.O. 11652: GDS

TAGS: EAID EFIN IR IBRD IMF

SUBJ: IRANIAN FINANCIAL PROPOSAL TO MEET ENERGY CRISIS

REF: A) STATE 40899; B) TEHRAN 1604; C) TEHRAN 1609;
D) TEHRAN 1673; E) TEHRAN 1450

1. WE ARE CONCERNED OVER NEGATIVE TONE OF DEPARTMENT'S ASSESSMENT (REF A) OF IRANIAN PROPOSALS TO MAKE SOME OF THE COUNTRY'S FINANCIAL RESOURCES AVAILABLE TO HELP DEVELOPING COUNTRIES OVER BALANCE OF PAYMENTS DIFFICULTIES OF THE OIL SHORTAGES. IT SEEMS TO US WORTH REMEMBERING THAT (A) USG PRESSURE WHEN RECENT \$75 MILLION LOAN TO INDUSTRIAL MINING AND DEVELOPMENT BANK OF IRAN WAS BEFORE THE WORLD BANK BOARD UNDOUBTEDLY HAD MUCH TO DO WITH IRAN'S RATHER HASTY DECISION TO OFFER FINANCIAL AID THROUGH IMF/IBRD AND (B) DETAILS OF THE SHAH'S PROPOSALS REMAIN TO BE WORKED OUT AND ARE CLEARLY NEGOTIABLE.

2. EMBASSY HAS BEEN INFORMED BY RELIABLE SOURCE (REF B) THAT MONEY TO BE MADE AVAILABLE TO IMF WILL BE AT 5-6 PERCENT INTEREST RATE AND THAT IBRD BONDS WILL BE PURCHASED AT DOLLAR RATE IN OTHER COUNTRIES, OR, IF IN RIALS, AT CURRENT RATE FOR CENTRAL BANK OF IRAN
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BONDS. WHILE PERHAPS NOT OVERLY MAGNANIMOUS CONSIDERING IRAN'S CURRENT

STRONG FINANCIAL POSITION, INTEREST RATE FOR IMF LOAN WOULD BE AT CONSIDERABLY LOWER RATE THAN CURRENT EURO-CURRENCY MARKET RATES AND IBRD BOND RATE PROBABLY WILL BE SLIGHTLY LESS.

3. IRANIANS HAVE MADE CLEAR THEIR INTENTION OF PROVIDING \$1 BILLION DURING 1974 AND SUBSTANTIAL AMOUNTS ANNUALLY THEREAFTER AND THAT THEY ARE WILLING TO GO IT ALONE EVEN IF OTHER OIL PRODUCING COUNTRIES DO NOT JOIN IN. THEY HAVE TAKEN INITIATIVE, AND WE THINK GOI EFFORT, EVEN IF HARDLY IN MARSHALL PLAN CATEGORY, SHOULD BE WARMLY APPLAUDED RATHER THAN BELITTLED. SHOULD U.S. CRITICISMS BECOME KNOWN TO SHAH, LIKELY EFFECT WOULD BE BOTH UNDISGUISED RESENTMENT AND UNWILLINGNESS TO ACCELERATE GOI OFFER OR LATER ON MAKE ADDITIONAL FUNDS AVAILABLE. THIS PREDICTABLE REACTION WOULD HARDLY SEEM TO BE IN INTEREST OF U.S.,

OTHER OIL IMPORTING NATIONS, OR THE STRENGTHENED INTERNATIONAL ECONOMIC OUTLOOK WHICH WE ARE STRIVING TO CREATE.

4. BEFORE HIS DEPARTURE TODAY FOR WASHINGTON, AMB ASKED THAT NO DECI-

SION BE TAKEN ON REACTION TO SHAH'S PROPOSALS WITHOUT SPECIFIC CLEARANCE WITH SECRETARY AND THAT SECRETARY'S ATTENTION BE CALLED TO REFTELS

IF THERE ARE QUESTIONS OR RESERVATIONS ABOUT PROPOSALS, WE URGE WE BE AUTHORIZED DISCUSS THEM WITH GOI.
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